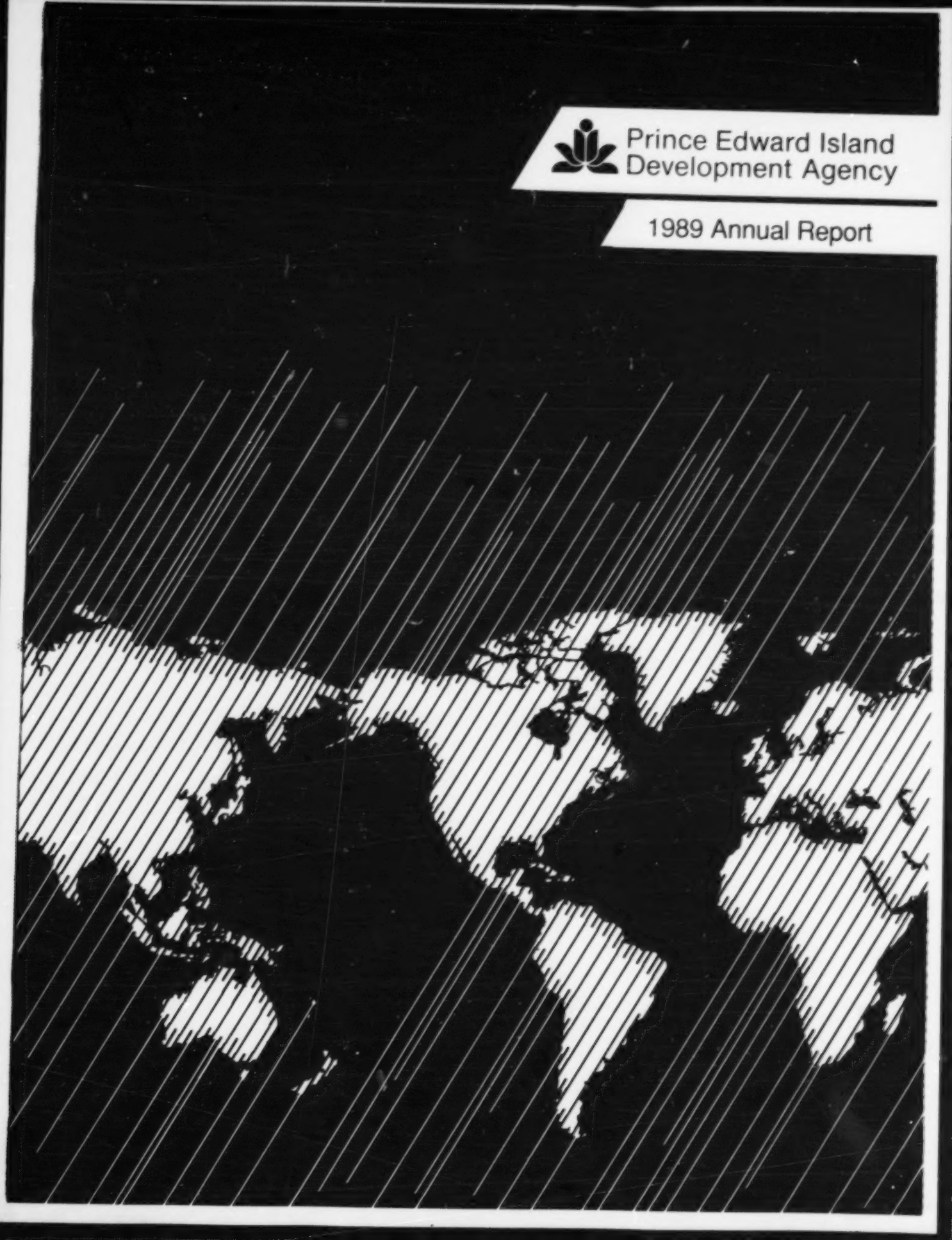
Prince Edward Island Development Agency

1989 Annual Report



Corporate Mandate and Objectives

The Prince Edward Island Development Agency is a provincial crown corporation established in 1984 with the proclamation of the Prince Edward Island Development Agency Act.

The role of the Agency is to stimulate the growth of economic development and create long-term jobs by promoting new and expanded business. This role is carried out through the conduct of vigorous business development activities and provision of a wide range of financial, marketing, and property management programs and services.

The Board of Directors of the Agency is chaired by the Minister of Industry and includes ten private-sector business leaders. In addition to the partnership of the public and private sectors, as represented by the Board, each of the Agency's three operating divisions is supported by an advisory committee from the private sector.

More specifically, the Agency's overall objectives are to develop, sustain and improve business activity in the province and to promote Prince Edward Island as a location for new or expanding economic activity. The Agency's three divisions carry out specific activities related to these objectives.

The Business Development Division seeks and encourages firms to locate in Prince Edward Island and encourages the expansion and modernization of existing business.

The Finance Division encourages the startup and expansion of manufacturing enterprises and diversification of the Island's economy through the provision of financing, financial incentives and industrial facilities.

The Marketing Division assists in increasing the market share for Island producers, processors and manufacturers of local, national and international markets for the Island's natural and manufactured products and associated services.

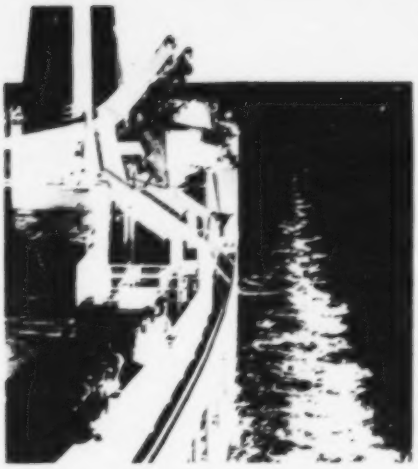
Overview of Prince Edward Island

Prince Edward Island Is Canada's smallest province, but it has the biggest heart. Seven hundred thousand visitors return each season to enjoy warm hospitality and top notch hotels and restaurants.

This 50 million dollar a year Tourist Industry provides an infrastructure for leisure and recreation that translates into a relaxed life-style for business people who live and work here on "The Island".

Islanders love to play but they love to work more. With a population of 127,300, Prince Edward Island boasts a stable and versatile work force with one of the best labor-management records in Canada. Skilled workers train at Holland College in specifically designed programs in relevant technologies with government financial support.

The Prince Edward Island Development Agency actively serves the business community to ensure access to appropriate government incentives as well as private capital.



Prince Edward Island is in a unique situation in terms of the lucrative American consumer market in the first year of Free Trade between Canada and the United States.

"The Island" is served by major airlines, and trucking companies which deliver Island made product to a market of 100 million people within about one thousand kilometres. And added to this feature, the Island is rich in natural resources with very fertile land and the sea all around.

The Prince Edward Island Food Technology Centre will soon open its doors to the agricultural and fisheries sectors with a mandate to develop new food products and processes to add value to the Island's natural resources. Entrepreneurial opportunities are limitless and generous government incentives will assist Island enterprises in the revolution that promises to change the way North Americans think about the food they eat. The 1990's will prove to be most interesting for development in the areas where Prince Edward Island is most richly endowed.

The Hon. Robert Morrissey, Minister of Industry, invites you to join in this commitment to add value to our natural resources.

Report of the Chief Executive Officer

It is once again my pleasure to report on the activities of the Prince Edward Island Development Agency for the fiscal year ending March 31, 1989.

During the past year, the Prince Edward Island economy continued to exhibit strong growth in all leading indicators with employment reaching record levels throughout the year. Strong performances in the fisheries, construction and tourism sectors contributed to the high rate of growth in 1988-89.

An accelerated rate of project approvals by the Atlantic Canada Opportunities Agency in the first eight months of the fiscal year resulted in a number of new business start-ups as well as the expansion and modernization of other existing Island businesses. A subsequent slow down in the rate of approvals by ACOA in the last four months of the year saw a leveling off of the activity.

The availability of the ACOA funds relieved some of the traditional pressure on the Prince Edward Island Development Agency's assistance programs. At the same time, however, the availability of funds through both the Agency and ACOA permitted the initiation of a number of projects which would not have been possible without the input of both levels of government.

As the fiscal year drew to a close, there were several concerns facing the Development Agency which could have the potential for adversely affecting the opportunities for improving the province's economy.

1. In expectation that ACOA's 1989-90 budget may be cut sharply as part of the overall federal budget deficit reduction plans, it is, therefore, expected that ACOA will have to reduce the levels of financial assistance available to applicants and significantly reduce the number of new projects that can be approved.

2. By year-end, only one of the seven Federal-Provincial ERDA Sub-Agreements that expired on March 31, 1989 had been re-negotiated and approved. It is again anticipated that there may be a significant reduction in the amount of federal dollars available for sub-agreements in 1989-90 and that indeed some of these sub-agreements may not be re-negotiated by the federal government.

3. One of the Sub-Agreements expiring on March 31, 1989 was the Marketing Sub-Agreement. This Agreement provided support to Prince Edward Island manufacturers and processors to assist them in being competitive in the global market place.

   The continued need for this type of activity will be even greater with the implementation of the Canada-U.S. Free Trade Agreement. This Agreement should provide new opportunities for Prince Edward Island producers and manufacturers.

   The upcoming implementation of free trade within the European Common Market in 1992 will mean that considerable market intelligence and planning will be required in order to assist Island exporters in protecting existing markets and investigating and identifying new opportunities. As of the date of this report, there are still no commitments from the federal government to re-negotiate a new Marketing Sub-Agreement despite continued representation from the Agency and the private sector. A new Marketing Sub-Agreement with the federal government will be a high priority for the Agency in 1989-90.

4. Interest rates increased considerably in 1988-89 and when combined with other critical factors placed a number of existing Island manufacturers and processors in a precarious financial position. This has resulted in a significant increase in the Agency's budget provision for losses and will require close attention in the next fiscal year as interest rates are not forecasted to drop significantly over the next six months.

5. It is also anticipated that general tax increases will occur in the 1989-90 federal budget along with other deficit cutting measures, all of which may curb consumer spending.

6. A significant reduction in federal dollars available for industrial development in Prince Edward Island is expected to place considerable pressure on the 1989-90 Agency budget which may also have to face the loss of approximately $1 million in federal marketing funds. The Agency will have to exercise caution and good judgement in its program expenditures throughout the fiscal year.

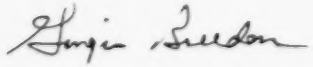
Notwithstanding the several negative factors mentioned above, there are also signs for optimism. It is anticipated that agricultural prices will increase significantly in 1989 and that the construction, tourism and fisheries sectors will remain strong throughout the year. Also, many of the new projects initiated in fiscal year 1988-89 will be fully implemented in 1989-90.

The Prince Edward Island Development Agency operated with the same corporate structure in the past year. All three operating divisions have reported separately on their activities. Their reports indicate a very active year for all divisions and board committees. Fiscal 1988-89 was a year of challenge and commitment with the Prince Edward Island Development Agency continuing to realize its mandate of stimulating the growth of economic development in Prince Edward Island.

During the year, the term of one of the founding Board Directors, Norman MacLeod, expired. In addition, two Directors, Wendell MacDonald and Ted Henderson, resigned from the Board for personal reasons. On behalf of the Agency, I take this occasion to express gratitude to these Islanders who shared their knowledge and business experience to assist industrial development on Prince Edward Island.

Three new directors were appointed to the Board during the year. They are Don Smith of Pownal, Rod MacNeill of Tyne Valley and Ken Moase of North Bedeque. We welcome these new directors and look forward to working with them in the future.

While much has been accomplished, much remains to be done, and only through the continued imagination, dedication and hard work of all employees has so much been accomplished. I am particularly grateful to all employees for their commitment to making the Prince Edward Island Development Agency an effective and efficient corporation.



Ginger Breedon, CEO

Agency Services

Business Development

- Industrial prospecting identifies and assists new business to locate in Prince Edward Island.

- Assists potential business to move to Prince Edward Island, and existing companies to expand on the Island. Financial assistance can be sourced from the private sector as well as via government incentives. The Business Development Division puts the prospective company together with the most appropriate source of capital.

- Co-ordinating service facilitates the entry of the new company into Prince Edward Island with introductions to the local business community, locating suppliers and staffing and attention to start-up details. This service continues through this initial phase until it is no longer needed.

Property

- Provides suitable facilities for new enterprises at reduced rates during start-up in the West Royalty and Summerside Area Industrial Parks owned and operated by the Agency.

- Provides new and expanding industries in all areas of the province with rental incentives similar to those available in the Agency's industrial malls.

- Provides serviced industrial sites for sale at rates below market value to manufacturers and processors for the construction of industrial facilities.

Marketing

Resource Information

- Research and Information provides marketing research services which identify new or increased sales opportunities in local, national and international markets.

Market Organization

- Assists primary producers, processors and manufacturers in the formation and maintenance of associations, commodity boards and other marketing organizations.

- Provides assistance to upgrade marketing skills and take better advantage of marketing opportunities.

- Provides the support required to formulate short and long term marketing plans and assist in their implementation.

Marketing Promotion

- Provides advertising and promotion assistance to advertise and promote both companies and their products in an effort to maximize sales.

- Assists both the preparation and attendance at product trade shows leading to the development and establishment of domestic and foreign market contacts.

Market Development

- Assists in generating sales of Prince Edward Island manufactured and processed products.

- Provides assistance for the development and evaluation of new or improved products and processes to expand production and markets.

Finance

Equity

- Provides cash grants of up to 20 percent and in special circumstances 30 percent, to eligible investors and Small Business Development Corporations to assist entrepreneurs in attracting private capital through the Equity Investors' Incentive program.

Loans

- Provide manufacturers and processors with financing of capital assets which are directly associated with production facilities.

Other

- Provide a financial incentive to manufacturing and processing companies to create new employment opportunities under the Job Creation program.

Operational Review

Business Development Activity

During the past year, the Business Development Division worked with both local and out-of-province business interests to establish new operations in Prince Edward Island.

In total, during the year, the Business Development Division assisted in the establishment (or the commitment to establish) of four new operations representing 83 additional jobs and $4 million in projected capital investment. In addition, staff of the Business Development Division assisted with the expansion and development of 4 other businesses representing an additional 9 jobs, and incremental capital investment of $2.5 million. This brings the year's employment creation and investment results to 92 jobs and $6.5 million respectively.

A number of visiting delegations were hosted and special presentations on PEI were given to investment, business and government groups. These included:

- private investors from Hong Kong;
- international business graduate students from Dalhousie University;
- a delegation of Japanese investment bankers;
- representatives of Mitsubishi Corporation of Japan;
- Canada's trade commissioners abroad; and,
- senior personnel of the National Defence College

BUSINESS DEVELOPMENT DIVISION

Property and Facilities
The negotiation of 8 new leases during the fiscal year kept the occupancy rate in the industrial mall buildings in the West Royalty Industrial Park at 100% and in the Summerside Area Industrial Park (with two vacancies) at 78%. A further 22 inquiries for space are recorded for which no space was available to accommodate applicants.

In the West Royalty Industrial Park, the water utility was upgraded with work being carried out on the sewage pumping station, pump house, and street valves.

During the year, the Board of Directors directed staff to proceed in principle with the next stage of a study of new incubator malls in Summerside and Charlottetown. The next stage will:
- identify the need for the facilities;
- determine the building specifications;
- identify the capital costs more accurately;
- identify the total financing required for both capital costs and ongoing operations;
- identify sources of funds to support the project.

New Committee
In June of 1988, a new committee of the Board of Directors was formed to direct the activities of the Business Development Division. During the year, the Business Development Committee addressed a number of major issues related to our property and facilities. It also provided direction and advice on various development projects which were of great value to staff. This link with the Board of Directors has contributed significantly to the staff's effectiveness.

Fiscal Year 1989-90
The Business Development Division has now been operating for more than two years. Since the beginning, the Division has concentrated on developing projects with strong private equity investment. Nevertheless, a number of business failures have occurred, and although the incidence is within industrial development standards, it reinforces our commitment to the following priorities in the coming year.

i. Identifying and pursuing those projects which are most appropriate to our province. In most cases, this means smaller scale projects which are related to our resource industries.
ii. Assessing prospective clients with "due diligence" as a means of pre-screening projects.
iii. Ensuring that projects are well capitalized and not dependent on government incentives and heavy debt loads.

In pursuing these priorities, the Business Development Division will continue to develop effective new ways to identify, attract and develop top quality projects.

Operational Review

1988-89 for the Marketing Division was one of continued and effective assistance to Prince Edward Island processors and manufacturers. Two hundred and forty-three (243) clients were assisted through a total of five hundred and sixty-one (561) projects utilizing a total of one million, four hundred and forty-five thousand, seven hundred and fifty-seven dollars ($1,445,757). Based on a historical cost-shared ratio, between client and Agency, a total marketing effort of over three and a quarter million dollars was initiated through the Divison for Prince Edward Island products during the year.

Sector activity also retained an established level with Industry accounting for 39% of the projects, Agriculture 24%, Fisheries 22%, Handcraft 10%, and General projects 5%.

Marketing in the 90's Conference

The Marketing Division organized a "Marketing in the 90's" conference providing marketing information and education for Island processors and manufacturers. The conference was accomplished far under budget, thanks to a super effort by Agency staff, and will form the basis of similar future endeavours.

Service Sector Policy

The Marketing Division continues to move its marketing support very cautiously into the large "service sector" of the business community and to accomplish this, during the past year, have developed a service sector policy allowing it to deal responsibly with the growing marketing demands of this business group. Because of the funding cutback and the current uncertainty of future direction, the approval of this policy will be included as part of an overall marketing policy review slated for 1989-90.

MARKETING DIVISION

Mussel Industry Recovery

With an important injection of Provincial dollars to deal with the devastated mussel industry entering 1988, the Marketing Divison engineered co-operative promotional programs with both Federal agencies and growers' associations that led to a complete recovery resulting in actual shipments of mussels from Prince Edward Island increasing in 1988-89 by one-third over 1987-88 shipments (based on actual total shipments by month the increase is 50%). This is an outstanding marketing success story considering the panic situation.

Resource Centre

The Marketing Division continues to keep the Resource Centre on the front end of information technology and has been able to increase and co-ordinate more market studies which have been requested. The addition of a graphics component to the computer base, when combined with the colour printer, produces presentations that are second to none.

Quality Assurance

During 1988-89, the Marketing Division became increasingly aware that, if the manufacturers were to obtain any or larger export orders, especially in regards to government and/or military purchases, they would have to be able to accompany their bids with a guarantee of product Quality Assurance. In co-operation with the Atlantic Canada Opportunities Agency, the Marketing Division organized a one-day preliminary quality assurance workshop with excellent results.

Division Evaluation

As required under the terms of the ERDA Marketing Sub-Agreement in 1988-89, an evaluation framework completed by Coopers & Lybrand in Charlottetown was approved. This led to a full evaluation study of the Marketing Division which was completed in October of 1988 by the management consultant firm of Woods Gordon in Ottawa.

The results of the evaluation were very positive in the Division's favour and received commendation for operating "...with a high level of professionalism, sound advice and service to clients."

Operational Review, Finance Division

During the year 104 applications were processed and approved, an increase of 11 percent over the previous year which was 93. As was prevalent in the previous year, the majority of the applications continue to be requests for incentives under our three main incentive programs - Job Creation, Equity Investors and Rental Assistance; seventy-two applications under these three programs were approved providing for incentives of $1,904,319. In the year previous, there were 69 approvals providing for incentives totalling $3,559,687. The marked decrease in the amount of incentives approved during the year, nearly 46 percent is attributed in large part to the very active role of ACOA in providing incentives to new or expanding businesses which resulted in a greatly diminished demand being placed on our Job Creation Program. The Equity Investors Incentive Program,nevertheless, continues to be popular, and 19 applications were approved providing for rebates to investors in the amount of $1,019,038 down marginally from the $1,225,900 approved on 18 applications in the year previous. These rebates will result in attracting over $4,000,000 of private equity capital financing for PEI businesses.

The remaining 32 applications approved during the year were in respect of providing financing, either in the form of loans, guarantees or equity investment, to 20 businesses. The total amount approved amounted to $25,795,500 compared to $3,854,250 provided to 21 businesses in the previous year . The amount approved represents a dramatic increase over the previous year particularly in light of the Agency's previously expressed intentions to minimize its activities in this area. The increase is due first to a decision by Executive Council to have the Agency administer $12,600,000 of loans/guarantees previously committed by other government departments, and secondly, a request from two long established resourced based Island firms for $8,700,000 of term loans to finance major expansions. Of the remaining $4,495,500 of financing approvals, 90 percent relate to re-financing of existing businesses or clients. Despite the exceptional volume of financing provided in the current year, the Agency will continue to pursue a policy of providing assistance based on performance based incentives rather than financing.

The assistance provided by the Agency during the year is expected to create 221 jobs and maintain 325 currrent positions. For the coming year, demands for PEI Development Agency assistance is expected to increase due in large part to the recent cut back in Atlantic Canada Opportunities Agency assistance which will place a greater burden on our Job Creation Incentive Program.

Approved Financing to Establish or Expand Island Businesses

In Fiscal Year Ended March 31, 1989

	1989		1988	
	No.	$	No.	$
ECONOMIC SECTOR				
Agriculture	7	12,137,500	4	221,500
Fisheries	14	10,492,000	6	2,287,500
Industry	11	3,166,000	14	1,345,250
	32	25,795,500	24	3,854,250
SIZE OF APPROVAL ($)				
0 - 49,999	4	67,000	5	114,000
50,000 - 99,000	2	161,000	7	377,750
100,000 - 249,999	4	1,500,500	8	1,052,500
250,000 - 499,999	9	1,235,000	2	860,000
500,000 - 1,000,000	4	2,632,000	2	1,450,000
Over 1,000,000	9	20,200,000	-	-
	32	25,795,500	24	3,854,250
TYPE OF ASSISTANCE				
Guarantee	12	9,420,000	8	512,750
Term Loan	11	12,960,500	5	1,761,500
Other (Bridge Loans)	5	495,000	6	1,305,000
Equity	4	2,920,000	5	275,000
	32	25,795,500	24	3,854,250
PURPOSE OF FINANCING				
Establish new business	4	267,000	12	1,752,500
Expand existing business	4	8,923,500	8	426,750
Refinance existing business	24	16,605,000	4	1,675,000
	32	25,795,500	24	3,854,250

Approved Financial Incentives to Establish or Expand Island Businesses

In Fiscal Year Ended March 31, 1989

	1989		1988	
	No.	$	No.	$
ECONOMIC SECTOR				
Agriculture	3	160,500	8	672,970
Fisheries	6	277,513	13	446,810
Industry	63	1,466,306	48	2,439,907
	72	1,904,319	69	3,559,687
SIZE OF APPROVAL ($)				
0 - 4,999	17	40,005	8	25,277
5,000 - 9,999	20	144,068	8	56,863
10,000 - 24,999	20	310,568	21	319,829
25,000 - 49,999	6	214,678	13	434,201
50,000 - 99,000	4	270,000	7	448,260
Over 100,000	5	925,000	12	2,275,257
	72	1,904,319	69	3,559,687
TYPE OF ASSISTANCE				
Equity Investors' Incentive	19	1,019,038	18	1,225,900
Job Creation	18	528,608	25	1,731,395
Rental Incentive & Mall Program	35	356,673	23	550,792
Small Business Development Corp.	-	-	3	51,600
	72	1,904,319	69	3,559,687
PURPOSE OF INCENTIVE				
Establish new business	36	1,259,108	44	2,967,673
Expand existing business	34	587,211	24	569,514
Refinance existing business	2	58,000	1	22,500
	72	1,904,319	69	3,559,687

Approved Marketing Assistance to Develop and Expand Markets for Island Products

In Fiscal Year Ended March 31, 1989

	1989		1988	
	No.	$	No.	$
ECONOMIC SECTOR				
Agriculture	73	310,225	80	362,045
Fisheries	102	238,835	82	330,000
Industry	244	588,930	223	579,350
General	47	158,500	42	70,280
Handcraft	95	149,267	99	156,654
	561	1,445,757	526	1,498,329
SIZE OF APPROVAL ($)				
0 - 4,999	535	851,857	495	667,219
5,000 - 9,999	5	31,600	9	60,900
10,000 - 24,999	9	112,200	14	235,685
25,000 - 49,000	12	450,100	6	173,600
50,000 - 99,999	-	-	-	-
Over 100,000	-	-	2	360,925
	561	1,445,757	526	1,498,329
TYPE OF ASSISTANCE				
Advertising and Promotion	99	199,145	96	169,630
Market Development	81	139,945	75	84,920
Market Organization, Education and Management	44	99,225	40	139,710
Market Research	27	72,150	26	60,850
Product Development	73	165,800	82	202,590
Specialized Market Assistance	15	344,625	10	491,985
Trade Shows	127	275,600	98	191,990
Handcraft	95	149,267	99	156,654
	561	1,445,757	526	1,498,329

Businesses Assisted

In Fiscal Year Ended March 31, 1989

A.F. Enterprises International Ltd., West Royalty
Abegweit Potatoes (PEI) Ltd., Pownal
Abegweit Seafoods Inc., Naufrage
Acadian Fishermen's Co-op, Abram's Village
Acadian Pioneer Village Handcraft, Wellington
Advanced Medical Technologies Inc., West Royalty
Al's Homestyle Sausage, Cornwall
Allman, Jill, Hunter River
Amalgamated Dairies Ltd., Summerside
Andrew's Hockey Growth Program Inc., North Wiltshire
Ap-Chem Inc., West Royalty
Aqua Health Limited, West Royalty
Arsenault, Alfreda, Cape Egmont
Arsenault, Irene, Vernon Bridge
Arsenault, Marie, Wellington
Atlantic Aqua Farms, Belfast
Atlantic Fish Specialties Ltd., Parkdale
Atlantic Isle Gourmet Pasta, Charlottetown
Atlantic Mussel Growers Corp, Murray River
Atlantic Plant Laboratories Co-op, Vernon Bridge
Attic Cresting Inc., West Royalty
Babineau Fisheries, Morell
Bates, Vera, Brooklyn
Beinn Mara Apairies, Charlottetown
Bellamy, Gordon, Sherwood
Bernard, Normand, Summerside
Boettcher, Paul, Winsloe
Brown, Daisy, Montague
Business Training Centre, The, Charlottetown
C & L Seafoods, Charlottetown
Cam-Cur Ltd., Kensington
Cardigan Feed Service, Cardigan
Career Fashions, Montague
Carratech Inc., West Royalty
Cass Craft of P.E.I., Meadowbank
Cavendish Farms, New Annan
Central Industries, Kinross
Chapman, Roberta J., Murray River
Charlottetown Metal Products, Milton
Choice Inc., (ZVSL), Montague
Clary, Norman, Whim Road
Clements, Kelly Lee, O'Leary
Coastline Designs, Kingston
Coffin, Trudy, Mason Road
Coles Door Systems, Winsloe
Compu-Covers, Charlottetown
Condon, Freda, Brackley
Cork-Can Inc., Iona
Corrigan's Welding & Wood Stove Centre, Charlottetown
Cow's Homemade Ice Cream, Charlottetown
Crafty Folk Art, Morell
Creative Esthetics Orthodontic Laboratory, West Royalty
Crispin Cones, Summerside
Culture Craft Co-op, Richmond
Curry, Curry, & Associates, Charlottetown
Custom Signworks, Charlottetown
Cytrigen Energy Products & Services Ltd., Summerside
Design Associates, Charlottetown
Diagnostic Chemicals Ltd., West Royalty
Dignan, Mary, Charlottetown
Doiron, Marina, Hunter River
Donnelly, Maureen, Kensington
Doucette, Brenda, St. Louis
Drake's Truck Box Sales, Vernon Bridge
Drifts, The, Sherwood
Dubey, Lesley, Tyne Valley
Eastern Kings Seafoods Ltd., Beach Point
Eastern Overhead Doors (P.E.I.) Ltd., Summerside
Eastern Seagulls Arts & Crafts, Souris
Eastern Shellfish Cleansing, Annandale
Eastern Trap Supplies, Robertson Road
Envirotexing, Charlottetown
Eric C. Robinson Inc., Albany
Ferncrafts, Cornwall
Fine Food Investments Ltd., West Royalty
Fire Matics Canada Ltd., West Royalty
Freeland Woodworking, Ellerslie
Gallant, Cathy, Breadalbane
Gallant, Diane, North Rustico
Gallant, Helen, Wellington
Garden Province Meats (1985) Inc., Charlottetown
Georgetown Shipyard Inc., Georgetown
Glen William Greenhouses, Glen William
Gord Johnson Commercial Photography, Bunbury
Gorman Controls Ltd., Bonshaw
Great Northern Knitters Inc., West Royalty
Green Acres Produce Ltd., Woodstock
Greenisle Management Inc., Vernon River
Gulfstar Chemicals Inc., Hunter River
Hall & Stavert Ltd., West Royalty
Haywood Manufacturing Ltd., Bloomfield
Health Pasteurized Milk Co. Ltd., Hunter River
Henry Lynn, Charlottetown
Herlihy, Elwyn, St. Peters Road, Sherwood
Hi-Roof Technology, Summerside
Highland Scrap Metal, St. Eleanors
Howard's Cove Seafoods, Howard's Cove
Ideal Dairy Ltd., Summerside
Images East Co. Ltd., Charlottetown
Imperial Ambulances Outfitters Ltd., Summerside
In Sight Productions Inc., Charlottetown
Island Baking & Milling, Belle River
Island Beansprout, Little York
Island Breweries Ltd., Milton
Island Chocolates, Victoria
Island Computer, Charlottetown
Island Control, Charlottetown
Island Farm House Gouda, Winsloe
Island Fish & Farm Meal, Kinross
Island Folk Crafts, Sherwood
Island Holdings, New Annan
Island Media Arts Co-op, Charlottetown
Island Metal Fabricators, West Royalty
Island Opry Ltd., West Royalty
Island Packaging Co. Ltd., Pownal
Island Saltfish Inc., Desable
Island Souvenirs Ltd., Murray River
Island Wild Rice, Charlottetown
Island Windcraft, Breadalbane
J & M Boatbuilding, Primrose
Johnston, David S., Bunbury
Johnston's Home Style Products Ltd. West Royalty
Keeping & MacKay Ltd., Murray Harbour
Kerrytown Knits, Kensington
L. G. Lawton (1984) Inc., Pownal
La Cooperative Les P'tits Acadiens Ltee., Abrams Village
Lesley Brothers, North Wiltshire
M. S. Ltd., West Royalty
Mac's Fiberglass Ind., North Lake
MacAdam, Peter, Morell
MacArdle Brothers Ltd., Kinkora
MacAusland Woolen Mills, Bloomfield
MacDonald, Andrew, Charlottetown
MacKenzie's Woodworking, Bay Fortune
MacLeod, Carol, Valleyfield
Make Mine Maple Ltd., Breadalbane
Malibu East, Victoria
Malpeque Fishermen's Co-op, Malpeque
Marenco Engineering Ltd., West Royalty
Marin, Lorne, Hunter River
Marine Harvesting Ltd., Georgetown
Maritime County Shopper, Kensington
Matrix (PEI) Inc., West Royalty
McCaull, Colleen J., Borden
Media Concepts, West Royalty
Mermaid Marine, West Royalty
Mic Mac Enterprises, Johnston's River

Mill Mink Ranch, Kensington
Miller, Marlene, Murray River
Mills, Donna, Charlottetown
Mobile Land & Marine, Cardigan
Montague Bakery, Montague
Montague Dairy Ltd., Montague
Montgomery, Doris, Park Corner
Murray Harbour Seafoods Inc., Murray Harbour
New Wave Shellfish Farm, Mt. Stewart
Nicholson Industrial Products, Kinross
North Lake Fishermen's Co-op, North Lake
North Ocean Enterprises Ltd., Souris
Northumberland Paints, Charlottetown
Northumberland Seafoods Ltd., Charlottetown
Nowlan, Susan, Charlottetown
Nuesch, Sabine, Montague
PC Industries, Summerside
PEI Pattern Works, Summerside
PEI Potato Chip Co-operative, Urbainville
PEI Preserve Company, New Glasgow
PEI Produce Company Ltd., Summerside
PEI Pure Water Co., Charlottetown
PEI Resort, Millvale
PEI Sheep Breeders, Montague
Padinox Inc., West Royalty
Paint Box Collection, Montague
Peaceworks, Charlottetown
Pen & Ink Studio, Charlottetown
Perfection Foods, Charlottetown
Phoenix Eyewear Inc., West Royalty
Pigott, Yvonne, Brackley Beach
Pioneer Fisheries, Tignish
Polar Cold Storage, Summerside
Polar Productions & Sports Consultants Inc., Charlottetown
Precision Products & Services Ltd., West Royalty
Prince County Forestry Products, Summerside
Pro-tek Safety Equipment Inc., Charlottetown
Profit, Bonnie, St. Louis
Protronex Industries, West Royalty
Provincial Construction Co., Kensington
Queens County Blacksmith Shop, Vernon Bridge
Quinn, Margaret, Cardigan
Ragweed Press, Charlottetown
Rainbow Valley, Kensington
Read, Geoff T., Breadalbane
Red Tassel Wood Craft, Summerside
Richmond Ltd., Richmond
Rivus Inc. (Maxine Delaney Fashions), Charlottetown
Royal Malpeque Blue, Summerside
Rum Runner Ocean Products, Cardigan
Salt Box Factory, The, Basin Head
Schurman Industries, Summerside
Seaman's Beverages Ltd., West Royalty
Sound Ventures, Charlottetown
Souris Buttercup Dairy, Souris
St. Peters Bay Mussel Farm, St. Peters Bay
Stanley, Malcolm, Breadalbane
Stevenson, Kathie, North Wiltshire
Strawloggs (Debco), Albany
Summer's Bounty Ltd., Charlottetown
Summerside Sea Products Ltd., Summerside
T & K Fire Equipment, Parkdale
Tannereye Ltd., West Royalty
Tignish Fisheries Co-op Association, Tignish
Tin Shop, The, Breadalbane
Tremere Distributing Ltd., Charlottetown
Video Atlantic Inc., West Royalty
Village Fudgery, Belle River
Walker Seed Potato Service, Cardigan
Wendell Graham (1981) Ltd., Gaspereaux
West Royalty Industrial Park Business Club, West Royalty
Westech Agriculture Ltd., Bloomfield
Westway Industries, Alberton
Wevea Canada Ltd., Montague
Wharf Rat Ltd., West Royalty
William Condon & Sons Ltd., Charlottetown
Xtalite Technology Ltd., West Royalty

Commodity Boards, Marketing Boards, Associations and Government Departments Assisted

In Fiscal Year Ended March 31, 1989

Atlantic Film & Video Producers
Culinary Institute of Canada
Holland College School of Visual Arts
Prince Edward Island Crafts Council
Prince Edward Island Department of Agriculture
Prince Edward Island Department of Industry
Prince Edward Island Department of Tourism
Prince Edward Island Egg Commodity Marketing Board
Prince Edward Island Food Processors & Manufacturers
Prince Edward Island Herring Industry
Prince Edward Island Hog Commodity Marketing Board
Prince Edward Island Mussel Growers Association
Prince Edward Island Potato Marketing Commission
Prince Edward Island Producer Associations
Prince Edward Island Quilters
Prince Edward Island Seafood Processors Association
Prince Edward Island Strawberry Growers Association
Prince Edward Island Trout Growers Association
Prince Edward Island Women's Institute
Spinners & Weavers Guild of Prince Edward Island
Town of Summerside

Corporate Directory

Board of Directors

*Hon. Leonce Bernard
Wellington
Minister of Industry and Chairman

Simon Arsenault
Summerside
Business Executive

Lorin Brehaut
Murray Harbour
Meat Manager, S.D. Hugh Ltd.

*Warren Carragher
Summerside
Chartered Accountant

*Tom Cullen
Charlottetown
Vice President, Purity Dairy Ltd.

*Mike S. Kelly
Sherwood
Chief Executive Officer, PEIDA
Deputy Minister of Industry

*Harry Lowther
Charlottetown
Marketing Manager, Home Hardware

Rod MacNeill
Tyne Valley
General Manager, Gulf Produce Co. Ltd.

Norma MacNeill
West Devon
Financial Advisor
West Prince Ventures Ltd.

Ken Moase
North Bedeque
President, Travellers Rest Mobile Homes

Dean Shaw
Charlottetown
Solicitor

Don Smith
Pownal
President & General Manager
Metro Building Supplies Ltd.

* Member of Executive Committee

Advisory Committees

Business Development

Harry Lowther, Chairman

Simon Arsenault, Vice Chairman

Lorin Brehaut

Warren Carragher

Tom Cullen

Finance

Warren Carragher, Chairman

Norma MacNeill, Vice Chairman

Don Smith

Harry Lowther

Rod MacNeill

Marketing

Tom Cullen, Chairman

Dean C. Shaw, Vice Chairman

Simon Arsenault

Lorin Brehaut

Ken Moase

Officers

Hon. Leonce Bernard
Chairman of the Board

Mike S. Kelly
Secretary-Treasurer and Chief Executive Officer

Ronald H. Atkinson
Executive Director, Marketing

Hillard MacKinnon
Executive Director, Finance

Donald E. Baker
Executive Director, Business Development

J. Reagh Hicken, Controller

Auditors

Coopers & Lybrand
Chartered Accountants

Banker

Bank of Montreal

Photography: Barrett & MacKay, Camera Art, Gord Johnston, John Sylvester
Typesetting and Layout: Landis Design
Printing: Island Offset Inc.

Financial Statements

For the Year Ended March 31, 1989

AUDITORS' REPORT TO THE DIRECTORS

June 6, 1989

We have examined the balance sheet of Prince Edward Island Development Agency as at March 31, 1989 and the statement of operations for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Agency as at March 31, 1989 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand

CHARTERED ACCOUNTANTS
Charlottetown, P.E.I.

Balance Sheet

As at March 31, 1989

	1989	1988
	$	$
ASSETS		
Cash and short-term deposits	517,861	621,732
Accounts receivable	269,313	269,451
Loans receivable (note 4)	17,692,174	11,310,596
Share investments (note 5)	11,425,478	5,378,428
Property holdings (note 6)	5,733,940	6,609,298
Other investments (note 7)	4,290,002	4,380,002
Due from the Province of Prince Edward Island (note 8)		
- Provision for possible losses	12,944,503	7,243,061
	52,873,271	35,812,568
LIABILITIES		
Accounts payable and accrued liabilities	4,841,582	4,300,248
Due to the Province of Prince Edward Island (note 8)		
- Current operations	2,449,847	1,655,064
Notes payable (note 9)	45,573,542	29,848,956
	52,864,971	35,804,268
Contingent liabilities (note 11)		
EQUITY		
Contributed capital	8,300	8,300
	52,873,271	35,812,568

Signed on behalf of the Board

Director

Director

Statement of Operations

For the Year Ended March 31, 1989

	1989 $	1988 $
REVENUE		
Grant from the Province of Prince Edward Island	14,720,000	12,175,800
Interest from borrowers and deposits	2,115,044	1,628,518
Rentals and recoveries from properties net of rental subsidies of $408,031 (1988 - $489,773)	483,272	468,076
Other	58,088	61,966
	17,376,404	14,334,360
EXPENSES		
Incentive programs (note 10)	3,092,635	4,333,713
Administration and business development	2,153,672	2,066,357
Properties	1,162,699	1,166,725
Interest on funds borrowed	2,411,305	1,733,860
Assistance to meet processing industry	1,749,401	956,728
Grant - F.T.C. Enterprises Limited	1,452,600	-
Grant - Prince Edward International Ltd.	175,000	102,188
Provision for possible losses	6,745,601	3,970,180
	18,942,913	14,329,751
	(1,566,509)	4,609
INCOME OF SUBSIDIARY CORPORATIONS	9,955	275
EXCESS REVENUE (EXPENSES) FOR THE YEAR (note 8)	(1,556,554)	4,884

Notes to Financial Statements

For the Year Ended March 31, 1989

1. ACCOUNTING POLICIES

General
The financial statements of the Agency have been prepared in accordance with generally accepted accounting principles. The following is a summary of significant accounting policies used in the preparation of these financial statements.

Lease option
A building constructed for an industrial company is being leased with an option for the company to purchase the building after five years, and is carried at the cost of the property plus capitalized interest, net of lease payments.

Provision for possible losses
A provision for possible losses is determined annually based on historical collection experience and a review of loans, guarantees, share investment portfolio and property held for resale. Interest revenue is not accrued for accounting purposes on loans when a write-off becomes anticipated.

The provision for possible losses is recorded as an amount due from the Province.

The Agency records as revenue the annual budgeted provision for current year's possible losses. Any variance of the actual provision from the budgeted provision is recorded as "Due From (To) The Province - Current Operations."

Share investments
(a) *Equity investments*
One-half of investments made under the small business equity program are included on the balance sheet as share investments. One half of the investments approved are acco unted for as an incentive program on the statement of operations. Any recovery exceeding the balance in share investments will be taken into revenue when received.

Other equity investments are accounted for by the cost method.

(b) *Investment in subsidiaries*
The Agency records the investment in wholly-owned subsidiaries, Ward Holdings Ltd, F.T.C. Enterprises Limited and Prince Edward International Ltd. using the equity method of accounting.

The investment in Gemini Food Corporation is accounted for at cost, including carrying costs less dividends received. The investment in this wholly-owned subsidiary is accounted for on the cost basis due to the temporary nature of the investment as evidenced by the existence of a formal divestiture plan.

In order to provide a more informative presentation of the operations of the Agency, the financial statements of subsidiaries are not consolidated.

Property holdings and depreciation
Property holdings are valued in total at the lower of cost, net of government grants, and anticipated realizable value. Accumulated interest is included in the cost of industrial sites.

The industrial malls are being depreciated using the straight-line basis over either 15 years or 25 years, the same period as the related debt is being retired. Office furniture and equipment are being depreciated using the straight-line basis over 3 - 5 years.

Other investments
The Prince Edward Island Development Agency has purchased $3,862,000 in Class B preferred shares of Garden Province Meats Inc. relating to capital expenditures. These Class B shares are carried on the balance sheet at cost less accrued amortization. The shares are being amortized on a straight-line basis over ten years beginning in the 1989 year.

In accordance with an agreement outlined in note 11, the Agency receives Class B preferred shares equal to contributions made. These Class B preferred shares are carried on the balance sheet at a nominal value of $1 with the investment expensed as assistance to meat processing industry.

Incentive programs
Incentive programs for the finance division are expensed and included in accrued liabilities when approved and accepted. Marketing division programs are recorded only when funds are disbursed, since the total amounts are not determinable when such programs are initially approved.

2. STATUS OF THE AGENCY

The Agency was incorporated as a Crown Corporation in 1984 pursuant to the Prince Edward Island Development Agency Act. The financial results of the Agency are included in the public accounts of the Province of Prince Edward Island.

3. ACQUISITIONS

During the year, the Agency increased its investment in the common shares of Gemini Food Corporation from 53.6% to 100%.

4. LOANS RECEIVABLE

	1989	1988
	$	$
Principal	24,988,109	13,493,352
Interest accrued and receivable	445,812	257,134
	25,433,921	13,750,486
Lease options net of unearned lease revenue of $65,183 (1988 - $1,036,927)	114,362	721,436
	25,548,283	14,471,922
Less: provision for possible losses	7,856,109	3,161,326
	17,692,174	11,310,596

5. SHARE INVESTMENTS

	1989	1988
	$	$
(a) *Share in private companies*		
Small Business Equity program	1,044,626	429,625
Other equity investments	6,500,452	4,115,000
	7,545,078	4,544,625
Less: provision for possible losses	4,095,000	2,913,800
	3,450,078	1,630,825
(b) *Investment in subsidiaries*		
Voting shares		
100 common shares - F.T.C. Enterprises Limited	100	100
100 common shares - Prince Edward International Ltd.	100	100
2,500 common shares - Ward Holdings Ltd.	1	1
8,161,500 common shares (1988 - 4,354,444) - Gemini Food Corporation	5,101,969	2,313,877
	5,102,170	2,314,078
Non-voting shares and debenture - Gemini Food Corporation		
286,100 convertible preferred shares (1988 - 135,600)	2,717,950	1,288,200
40,795 Class B shares	40,795	40,795
12% convertible debenture due April 1990	95,250	95,250
	2,853,995	1,424,245
Accumulated earnings since acquisition - Prince Edward International Ltd.	19,235	9,280
	7,975,400	3,747,603
	11,425,478	5,378,428

(c) Condensed financial data of subsidiaries is presented in note 13.

6. PROPERTY HOLDINGS

	1989			1988
	Cost $	Accumulated depreciation $	Net $	Net $
Industrial sites	505,314	-	505,314	529,662
Industrial malls	3,135,900	867,950	2,267,950	2,458,340
Office furniture and equipment	80,328	29,080	51,248	22,701
	3,721,542	897,030	2,824,512	3,010,703
Land, buildings and equipment held for resale or under lease purchase options			3,900,851	4,766,530
Less: provision for possible losses			991,423	1,167,935
			2,909,428	3,598,595
			5,733,940	6,609,298

7. OTHER INVESTMENTS

	1989 $	1988 $
Garden Province Meats Inc.		
- Preferred shares relating to capital expenditures - a cost less accumulated amortization of $90,000 (1988 - $nil)	3,772,000	3,862,000
- Preferred shares relating to operations - at nominal value	1	1
- Non-interest bearing interim loan	518,000	518,000
G.P.M. Limited Partnership - at nominal value	1	1
	4,290,002	4,380,002

8. DUE FROM (TO) THE PROVINCE

	1989 $	1988 $
CURRENT OPERATIONS		
BALANCE - BEGINNING OF YEAR	(1,655,064)	121,616
Repayment (receipt) of previous year's excess	1,655,064	(121,616)
	-	-
Excess (revenue) expenses for the year	1,556,554	(4,884)
Excess of current year's expense for possible losses over budgeted provision for possible losses	(4,006,401)	(1,650,180)
BALANCE - END OF YEAR	(2,449,847)	(1,655,064)
PROVISION FOR POSSIBLE LOSSES		
BALANCE - BEGINNING OF YEAR	7,243,061	3,392,723
Current year's expense	6,745,601	3,970,180
	13,988,662	7,362,903
Write-offs applied to reduce notes payable during the year	1,044,159	119,842
BALANCE - END OF YEAR	12,944,503	7,243,061

9. NOTES PAYABLE

The notes payable are issued to the Province of Prince Edward Island and have various repayment terms and interest rates ranging from 10% to 13.32%.

10. INCENTIVE PROGRAMS

	1989 $	1988 $
FINANCE		
Equity investors incentive	989,582	1,248,132
Job creation incentive	142,990	1,666,040
Rental incentive	56,037	92,590
Small business equity	780,000	137,500
Venture capital	56,669	143,872
Other	(8,750)	(3,919)
	2,016,528	3,284,215
MARKETING		
Market development	64,248	87,778
Marketing plans	269,449	222,431
Product development	150,059	198,857
Market research	87,455	29,806
Advertising and promotion	126,216	148,211
Trade shows	157,214	134,209
Market organization, education, and management	74,210	97,772
Specialized market assistance	14,077	-
	942,928	919,064
HANDCRAFTS AND CULTURAL	133,179	130,434
	3,092,635	4,333,713

11. CONTINGENT LIABILITIES

(a) As of March 31, 1989, the Agency was contingently liable under loan guarantees in the amount of $11,392,582 (1988 - $2,074,982).

(b) Under an agreement including the Province of Prince Edward Island and Garden Province Meats Inc., the Agency was obligated to purchase Class B preferred shares of an amount equal to the net losses incurred in operating the meat plant until July 23, 1988. Subsequent to July 23, 1988, if in any eight-week period less than 4,500 hogs per week are delivered to the plant, a contribution based on costs and lost revenue associated with operating below 4,500 hogs is required. The losses for the period ended July 12, 1988 were $482,090 (year ended March 31, 1988 - $61,773) and the contribution for the period from July 24, 1988 to March 31, 1989 amounted to $766,946. This obligation terminates at the earlier of December 31, 1995 or G.P.M. Limited Partnership obtaining a specified level of accumulated earnings.

As well, the Agency assumed a provincial government guarantee for the amount of tax credits to be earned by Canada Packers Inc. in the construction of the Garden Province Meats Inc. plant. Revenue Canada is in the process of reassessing Canada Packers Inc. If the reassessment is upheld, the Agency could be liable to reimburse Canada Packers inc. for amounts up to $180,000 plus interest.

(c) Gemini Food Corporation and its Board of Directors have been named as defendants in a legal action claiming damages of $3,100,000 plus costs and interest for alleged breach of contract of employment. In the opinion of counsel for the company, the ultimate liability, if any, will be insignificant.

12 COMMITMENTS

Loans and equity investments approved but not disbursed at March 31, 1989 amount to $3,327,000 (1988 - $1,950,000).

The Agency has approved loan guarantees of $508,000 which were not utilized at March 31, 1989 (1988 - $1,500,000).

The Agency is committed to cost sharing incentive programs with clients. As at March 31, 1989, the estimated expenditure under Marketing commitments is $540,000 (1988 - $560,000) and under Finance commitments $105,000 (1988 - $369,900).

13 CONDENSED FINANCIAL DATA OF SUBSIDIARIES

(a) Wholly-owned subsidiaries

The following is a summary of the combined and condensed financial data of the wholly-owned subsidiaries, F.T.C. Enterprises Limited, Prince Edward International Ltd. and Ward Holdings Ltd.

BALANCE SHEET

	1989	1988
	$	$
ASSETS		
Current assets	1,605,006	205,084
Fixed assets and other assets	555,592	51,269
	2,160,598	256,353
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities	282,650	86,240
Deferred credit	934,471	-
Shareholders' equity and contributed surplus	943,477	170,113
	2,160,598	256,353

STATEMENT OF INCOME

	1989	1988
	$	$
REVENUE	1,097,465	597,489
EXPENSES	1,087,510	602,367
NET INCOME (LOSS) FOR THE YEAR	9,955	(4,878)

(b) Subsidiary

The following is a summary of the condensed consolidated balance sheet and statement of income of Gemini Food Corporation as at July 31, 1988, the last date for which audited financial statements were prepared.

BALANCE SHEET

	July 31 1988	July 31 1987
	$	$
ASSETS		
Current assets	6,077,242	6,472,991
Fixed assets and other assets (net)	2,955,442	2,620,534
Goodwill (net)	5,100,207	5,242,213
	14,132,891	14,335,738
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities	4,113,596	4,127,713
Long-term debt and deferred income taxes	473,052	416,914
Capital stock	8,217,960	8,494,322
Retained earnings	1,328,283	1,296,789
	14,132,891	14,335,738
CONSOLIDATED STATEMENT OF INCOME		
Revenue	36,245,139	47,475,529
Cost of goods sold and expenses	35,360,557	45,925,959
Income taxes	574,688	948,807
Net income	309,894	600,763

14 COMPARATIVE FIGURES

Certain of the 1988 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1989.